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January 8, 1998

Office of Chairman Kennard
The Honorable William Kennard
FEDERAL COMMUNICATIONS COMMISSION
1919 M. Street N.W., Room 814
Washington, D.C. 20554

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In re: WT Docket 97-82

PETITION FOR RECONSIDERATION — Broadband PCS C and F Block Restructuring

Dear Mr. Kennard:

This Government's esoteric reasoning for monitoring the deregulation of the wireless communications oligopoly is fostered on a basic tenet that market competition for commodity-based products and services is the purest regulator of fair pricing to consumers. Presumably, market-based competition is believed to be the simplest mechanism for delivering always improving products and services to consumers through broad distribution channels.

Since I wrote to you on November 21, 1997, many of the huge A and B side incumbent (*sounds like 'encumbrant'*) carriers have responded to you through their in house legal organizations to advocate the position that wireless resellers have multiple carrier choices even without the C Block. Some have even said that the C-Block marketplace is healthy and functioning. Our Company is in the market place and we don't see where wireless resellers can deal with healthy C-Block carriers today. The only C-Block carriers we see in operation are either tied to rural telephone companies (i.e., Horizon or Meretel) or are backed by the incumbent RBOC's such as Aeril being backed by Bell South. None of these players are offering service in any of the major metropolitan cities in the U.S.

I want to share with you a couple of examples of what our Company experiences as an indirect provider of A and B-Block wireless products; experiences that always impact our customers. In a Southwest market one of our outside accountants related to me that he called a large carrier with which he has been a customer and told them he's switching to a CPA Association affinity program that promised him radically low prices on a new digital product. The carrier's direct marketing representative promised to match the affinity program price in consideration for a new one year contract from the accountant. The accountant now has a program with the carrier that gives him 1,200 minutes per month on an analog product for a flat \$60.00 fee (that's 5¢ per minute). To this accountant I might respond "God bless competition;" it would me more correct, however, to think "God bless the impending threat of new competition."

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The Honorable William Kennard

WT Docket 97-82

January 8, 1998

page 2 of 7

At first blush, this is a victory for our enterprising accountant friend. It's clearly an unfair practice by the carrier, however, if the mandate of the Government to foster enduring market competition is to be realized in a long-game environment for consumers. As a reseller that buys wholesale from that same B-side carrier, our cost on a blended basis is about 24¢ per minute (and, sure, we can work hard to reach an aspiration of running with the big dogs and... maybe we can get our cost down to a blended low of 18¢ per minute in that market). At this point, I'd ask you what our long-term prospects are for competing as an indirect distributor of wireless services when the carrier, through the direct side of its house, can arbitrarily deliver product at a price (*that I have to suspect is*) below its cost to a consumer 'on a whim.'

Another anecdote... this one about the wonder of 'multiple carrier choices for wireless resellers, even without the C-Block.' Our Company competes as a wireless reseller in a certain northwestern U.S. major market. We can purchase air time through an A-Block or a B-Block carrier. In either case, each carrier 'desires' (that's carrier-speak for 'requires') that this reseller (and, presumably, any reseller) enter into an "*exclusive*" indirect marketing agreement with such carrier. In this story, our Company entered into such an exclusive agreement with an incumbent carrier to promote a new product in that certain market. The carrier's A-Block counterpart already had such a product and this B-Block carrier who embraced our ability to deliver a look-alike product offered to us the ability to distribute our product through their "direct distribution channel." They went so far as to allow us to use their brand identity in our advertising. What they wouldn't do, however, was to provide us with 'direct connectivity' to their switching fabric. That *small detail* was the difference between being profitable or accepting a real loss on delivery of the product. The carrier's business group routinely communicated to us that it would require in-depth studies by their facilities and network group as well as their legal department to allow our Company direct connectivity of our switching fabric to their network. We rationalized accepting a loss in the market as a capital investment to prove the viability of our niche product. Our test worked; we achieved greater results than the carrier might have expected for the product and our marketing was more consumer-friendly than that of the A-Block carrier for a similar product. So, how does this story end?

The B-Block carrier that embraced this Reseller (the one that was sorry they couldn't provide us with direct-connectivity to their network) developed its own look-alike product and introduced it into its direct distribution channel; with one difference. They offered (and continue to offer) the consumer a 'direct-connected' service to their network. Not only can this Reseller not compete against that product, the carrier's direct 'agent distribution' channel can not afford to offer this Reseller's product anymore. By the way, the carrier continues to refuse our requests to offer a 'direct connected' product; the same product that they now offer consumers on what's truly an 'exclusive' (i.e., "*exclusionary*") basis.

One last anecdote.... if a reseller needs help understanding the corporate culture of an incumbent

The Honorable William Kennard

WT Docket 97-82

January 8, 1998

page 3 of 7

carrier, particularly their perspective of 'resellers,' one way to gain an understanding of their needs in a relationship with a reseller might be to hire an industry expert to consult to your company. Well, we did that. For a year or so, I had dealt with a 'Director of Indirect' sales (the job title says it all) for a major A-Block carrier. I never was successful in negotiating a reasonable Reseller Agreement with that carrier while dealing with this particular manager (it hasn't changed, by the way, since the manager left the employ of the carrier). When this 'Director of Indirect' left the employ of his hallowed employer, our Company retained his services as an outside consultant to help us negotiate a reasonable arrangement with the carrier cited in the story here in above. Our new friend the 'Consultant' shared with us his employer's expectations of him in his capacity of 'Director of Indirect.' According to him, his main function with that incumbent carrier was to lose 'reseller' requests and applications in a maze of bureaucracy. The carrier did not want to deal with Resellers; still doesn't. The 'Consultant,' a middle-aged male in his prime earning years, voluntarily severed from the carrier when he became tired of the competing pressures imposed upon him by an employer who refused to embrace resellers and by the increasing multitudes of bohemian resellers...and to an incumbent carrier "reseller" appears in their corporate thesaurus under the term "bohemian."

Asking the A and B-Block incumbent carriers to nurture market growth by embracing resellers truly embodies the analogy of asking the fox to protect the chicken coop. A story that comes to mind about large business's motivation to provide consumers with "best price" opportunities is a story put out over the AP yesterday that FedEx, a company with 140,000 employees, announced a three percent (3%) price increase on domestic package deliveries. Why? Because they could get away with it; United Parcel Service had led with a similar price increase several days before. Incumbent carriers approach product pricing in the market in exactly the same way as FedEx behaved this week in a different industry.

As a Reseller, incumbent carriers impose a burden upon our flexible marketing organization to provide them with business plans and marketing plans to describe how we will approach the market; what our price structures will be and what our market penetration expectations are for a market. The incumbent carrier (every incumbent that we have ever dealt with) always focuses closely on our product 'pricing' and admonishes us to benchmark our product pricing to their targeted retail price for similarly offered products.

We sell a commodity. It's not a high-tech product that commands a niche position in the market. Price skimming methodologies aren't successfully used with commodity products in the absence of regulated markets. So how can price levels be maintained at an artificially high rate in the absence of government regulation? Easy... informal pricing benchmarks informally regulated by the market providers in an oligopoly-driven market. As a 'reseller,' we don't own a license to distribute wireless services; we don't own or control the infrastructure for delivery of such products and services. We can only compete with a commodity product on the basis of (i) providing customers with 'customer

The Honorable William Kennard

WT Docket 97-82

January 8, 1998

page 4 of 7

care' that is superior to that provided by an incumbent carrier and (ii) delivering product at a price that is equal to or less than the same product offered by the carrier. I'm here to tell you that carriers (every incumbent A and B-Block carrier that we deal with) do a very good job of putting informal pressure on resellers to benchmark prices to mimic the carrier retail price points. The threat incumbents wield effectively with wireless resellers in the matter of product pricing by the reseller is the level of connectivity that a wireless carrier will grant on its network to a wireless reseller.

The Telecommunications Act of 1996 imposed a requirement on incumbent carriers to enter into indirect marketing agreements with wireless resellers. It did not, however, require the incumbent carriers to open their network to equal access by wireless resellers. The FCC has elected to defer on entertaining petitions by resellers to be granted equal access to the networks of incumbent carriers. The result is that A and B-Block incumbent carriers effectively thwart market competition by resellers when they refuse to provide resellers with direct connected access to their network. This drives up cost for wireless resellers and the reseller is effectively precluded from the market by incumbent carriers. The incumbent carrier continues to succeed in maintaining artificially inflated price levels to consumers. It's a clear loss for consumers and a huge win for the A and B-Blocks.

So, is a healthy C-Block important to the delivery of fairly priced wireless services to consumers? We believe the answer is yes! We believe that effective competition by non-carrier resellers can only serve to lower wireless prices to consumers and dramatically increase the base of wireless subscribers.

We also believe that A and B-Block carriers have a powerful interest in regulating that subscriber growth to coincide with their desire for controlled capital budgeting for new facilities and network infrastructure to support increasing subscriber bases. The C-Block certainly constitutes a new enterprise source for network capacity which will both (a) create an opportunity cost for the A and B-Block incumbents through loss of future customer share to the C-Block and (b) force the A and B-Blocks to accelerate their facilities and network build out if they are to maintain competitive leadership five and ten years into the future.

Competition in land line long-distance over the last ten years that has resulted in lower prices to consumers has yielded **INCREASED** top-line revenues and bottom-line earnings to incumbent long-distance carriers. This has occurred in an environment where the incumbent's hoards of in-house lawyers have maintained a noise level at the lobbyist level in Washington that can only be compared to the squeals of stuck pigs. While we're reminded that pigs get fat and hogs get slaughtered, the facts are that the earnings and retained earnings of incumbent long-distance carriers have only gotten fatter in the last decade as competition in that segment has accelerated at a frenetic pace. The often heard cry from incumbents to the Government that the security and integrity of their networks (and thus the national security and the public safety) would be severely compromised by open competition has never materialized in any serious manner. In an open-market environment where consumers have

The Honorable William Kennard

WT Docket 97-82

January 8, 1998

page 5 of 7

been the clear winner, incumbent carriers have profited enormously as their customers have, in overwhelming numbers, increased the number of dedicated lines coming into their homes and businesses. The pool of products and single-customer product requirements has accelerated at a faster growth level than the pool of new prospective customers and.... incumbent carrier profitability has been stronger than even they expected over the last three years as earnings from new and expanded product offerings has amortized the capital investment in new facilities and networks at a much faster rate than was projected by analysts and consultants for the carriers.

CUSTOMERS MADE THIS ALL POSSIBLE! Fickle, price-conscious, self-centered customers made informal loyalty pacts with carriers that served their increasing demands for products and services at the lowest available price in the market.

No matter what the decision of the FCC [in the matter of allowing C-Block licensees to utilize their full down payment in the Disaggregation and Prepayment options and adjustment of the Prepayment option to reflect the net present value of forgoing installment payments], the A and B-Blocks will WIN; the A AND B-BLOCKS CAN NOT LOSE IN THE MARKET NO MATTER WHAT THE FCC DECIDES at this crucial time for the C-Block and resellers who support their survival in the industry. You might ask 'how can this be?' The history of the L/D segment over the last decade clearly demonstrates that where Government (specifically, the FCC) does not step in to ensure fair growth opportunities for new carrier and reseller entrants, incumbent carriers maintain inflexible and artificially high prices for products and services to consumers. The incumbent makes their margin without the open-market imposition of delivering new and innovative products and services to consumers at truly competitive prices. On the other hand, where Executive Branch regulatory bodies have supported the will of the Judiciary and Congress by ensuring a level playing field for new entrants to the telecommunications industry, incumbent carriers have still maintained the lion's portion of customer share, revenue and profitability... even if they've had to awaken from a cathartic state of hibernation to increase their investment in spectrum and become more pro-active in the market.

The politically and economically correct choice for the FCC to make in the Petition for Reconsideration before them on WT Docket 97-82 is to support entrepreneurial growth of the C-Block against the deafening noise level being sounded by political action committees for A and B-Block carriers. Why?... after all, you'll be criticized greatly by these incumbent carriers, as you have been for the last decade, when you side on the side of consumers even in the jaws of impending risk that the C-Block will not survive in the market after you support them with the correct choice in this matter. In the wake of those squeals from incumbents, the capital markets will support entrepreneurial growth investment requirements of the C-Block following an affirmative decision by the FCC to allow for short-term deferral in the submission of installment payments in combination with an extension of the five-year construction deadline or a long-term deferral with no change in the

The Honorable William Kennard

WT Docket 97-82

January 8, 1998

page 6 of 7

construction deadline. AND... the capital markets will ALSO support the accelerated infrastructure capital requirements of A and B-Block carriers as they reluctantly scurry to maintain industry leadership in the course left to them... the honorable pursuit of customer loyalty in open markets.

Resellers, such as our Company, will support entrepreneurial growth by bringing new customers on to carriers that can provide spectrum for our customers at the most competitive price in the market. As prices come down, customers will come. That's the given in this debate for supporting entrance into the market by entrepreneurial providers. It's not even subject to speculation; the history of the last decade in the long-distance arena has proven overwhelmingly that the pool of customer demand for product and the revenues and retained earnings of telecommunication providers increases at breathtaking rates for Wall Street and Main Street, alike, as consumer prices decrease and regulators step into the process to let open competition drive consumer offerings and services.

I've had tremendous respect for the Federal Reserve Board's management over the last twenty years. I have to say though, the management of this nation's monetary policy under Chairman Greenspan's leadership in conjunction with fiscal policy direction under Treasury Secretary Rubin has earned the increasing trust and respect of American citizens. Those leaders have restored intellectual integrity to the governing process and they have led this nation toward prosperity and increasing national security through restating our nation's leadership role in the world's financial markets. My point is that they did all of this against the doubts and in the face of criticism by citizens, by politicians and by business and financial interest groups that feared, in an honest way mostly, the principled leadership of intellectually and politically powerful leaders like Chairman Greenspan and Secretary Rubin. I'm sure that the FCC has consulted with the Fed and with Treasury for techno-economic models to measure the impact of supporting the entrepreneurial growth requirements of this pesky C-Block. I'm equally sure that the Fed and Treasury would agree that a bold leadership position by the FCC to support debt deferral and restructuring for the C-Block will have the near term result of lowering prices for wireless consumers; accelerating the development of facilities and network by both the incumbents and new entrants alike; and exponentially increasing the subscriber base for wireless products in this Country over the next five years. With that result, how can the Government, consumers, taxpayers and incumbent carriers lose? Even IF the C-Block totally fails to repay the FCC's trust in them by surviving to become a viable market choice for consumers of wireless services, the pool of subscribers, revenues and taxable earnings will increase to service obligations.

The FCC will serve the interest of consumers and it will protect the integrity of government investment in new spectrum by boldly supporting the restructuring of C-Block debt to allow for expanded market competition. Then, step back. You will have provided leadership. Let the market determine who survives in the frenzied competition that will emerge for customer share as consumer demand for wireless products begins to expand at a relentless pace. One way or another, the Government will be repaid on debt granted to the C-Block. Everyone will win, no matter what the

The Honorable William Kennard

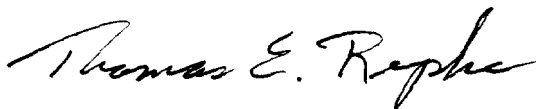
WT Docket 97-82

January 8, 1998

page 7 of 7

near-term success of any certain C-Block carrier. BUT, FIRST, the FCC has to provide necessary leadership to ensure that the C-Block be nurtured to compete against the overwhelming desire of the A and B-Blocks to prevent their entry into the markets. Please don't be afraid to provide principled leadership. Such leadership will cause this FCC to be remembered in history with the same very high regard that historians will bestow on Chairman Greenspan at the Fed and on Secretary Rubin at Treasury.

Yours very sincerely,



Thomas E. Repke

President

ONE STOP WIRELESS OF AMERICA, INC.

cc:

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